LEGISLATIVE SERVICES AGENCY

OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington St., Suite 301
Indianapolis, IN 46204
(317) 233-0696
iga.in.gov

FISCAL IMPACT STATEMENT

LS 6709 **NOTE PREPARED:** Dec 21, 2020
BILL NUMBER: SB 313 **BILL AMENDED:**

SUBJECT: Paid Family and Medical Leave Program.

FIRST AUTHOR: Sen. Yoder **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **X GENERAL** **IMPACT:** State & Local
X DEDICATED
X FEDERAL

Summary of Legislation: The bill requires the Department of Workforce Development (DWD) to establish a Paid Family and Medical Leave Program to provide payments for employees who take family and medical leave. It establishes the Family and Medical Leave Fund to be funded with appropriations from the General Assembly and payroll contributions. The bill specifies requirements for administration of the Paid Family and Medical Leave Program. It also provides for DWD to approve an employer's use of a private plan to meet the Paid Family and Medical Leave Program obligations.

Effective Date: July 1, 2021.

Explanation of State Expenditures: *DWD:* The bill's requirement to establish and administer the Paid Family and Medical Leave Program represents significant additional workload and expenditures on DWD outside of the agency's routine administrative functions both during the start-up phase and going forward.

To administer this new program DWD would need a significant number additional staff, funding, and a computer system to implement, administer, and report on the Paid Family and Medical Leave Program. Since the program uses different definitions for employers and employees than are used in the unemployment insurance system, the agency would have to create a separate administrative structure for this program. DWD estimates that staffing needs would likely be similar to an agency or program that administers a public benefit using a state tax revenue source. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

The State as an Employer: If the state participates in the program as an employer, agencies would be required to make contributions based on their employees' annual wages. Employers are required either to participate or provide equivalent benefits under a private plan. Employer contributions to the fund are capped at 0.7% of an employee's yearly wages, and will be set annually by DWD at a rate sufficient to fund program benefits. If the rate were set at 0.7%, the state as an employer could pay approximately $11.8 M annually in contributions, and could pass on to employees up to half of that cost ($5.9 M). The bill may require the State Personnel Department to make changes to the employee leave policy and requires employers to provide notice of the program to all employees. [This bill has the potential to impact all agencies as employers, thus impacting all funds that provide operating funds to agency staff.]

Currently, state employees are eligible for up to four weeks of paid new parent leave, short and long-term disability (available after 30 days away from work), and earn up to nine sick days annually. It is unknown how the state or other employers may change their leave policies as a result of this program.

Civil Rights Commission: The Civil Rights Commission is responsible to enforce the section of the bill related to incidents of discrimination or violation by employers. These requirements represent an additional workload on the agency outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Family and Medical Leave Program: Benefit payments would begin being paid during FY 2024. Weekly benefits would vary depending on employee wages up to a maximum payment equal to the average state weekly wage for up to 12 weeks per year. Employer leave, paid at the same or higher rate than the program benefit, would count against the amount of leave an employee has available under this program. An employer may use a private plan to award benefits if it provides the same rights, protections, and benefits as the Family and Medical Leave Program. Individuals would be eligible for program benefits if they earn at least $6,300 or are self-employed and opt in to the program.

Additional Information - Under the bill, the maximum weekly program benefit payment is equal to the state average weekly wage; however, the bill does not define how the state average weekly wage would be calculated. Individuals who take leave under the program who earn 50% of the state average weekly wage or below would receive program payments equal to 90% of their weekly wage. Those earning more than 50% of the state average weekly wage would receive 90% of half of the state average weekly wage plus 50% of any weekly wages above 50% of the state average weekly wage.

Explanation of State Revenues: *Family and Medical Leave Fund:* Employer contributions would be paid into the Family and Medical Leave Fund, established by this bill. The fund will consist of appropriations and payroll contributions and will be administered by the DWD. The expenses of administering the fund are paid from the fund. Money in the fund at the end of the fiscal year does not revert to the General Fund.

Explanation of Local Expenditures: *Local Units as Employers:* Local units would be required to make contributions up to 0.7% of their employees' annual wages or provide a comparable paid leave plan to their employees.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development; Civil Rights Commission; State Personnel Department; All agencies as employers.

Local Agencies Affected: All units as employers.

Information Sources: State Staffing Report; Tyler Ness, DWD.

Fiscal Analyst: Camille Tesch, 317-232-5293.